

## SAP Solution Brief



# PROFIT MANAGEMENT WITH SAP® FOR BANKING

## Turning Information into Profit

Increasingly complex and dynamic markets, ever-expanding globalization, and decreasing profit margins – these are today's challenges for worldwide banking. You must have total control over your bank to ensure a flexible and quick reaction to changing market conditions. With the SAP® for Banking set of solutions, you can plan and control revenues and expenses across all your banking instruments.

SAP for Banking offers a profit management solution for the banking industry that can help you understand and determine the value – gained or lost – by your bank's activities. SAP for Banking uses a large variety of calculation methodologies to allocate the true economic costs of your bank's various products and business units.

The SAP for Banking profit management solution is straightforward to implement and use. Its reporting templates and easy-to-use, interactive analyses enable users of all types to benefit right from the beginning.

### Multiple Calculation Methodologies

With SAP for Banking, you can use a large variety of calculation methodologies for all kinds of bank products, including the following:

- Funds transfer pricing methods (FTP), for example, pool method, matched maturity method, or duration
- Mark-to-market and net present value (NPV) calculations
- Capital and cost allocation, for example, equity capital costs and loan loss provision

SAP for Banking handles instrument-level matched funding, so you can model cash flows from loans, deposits, and other instruments using either duration or discounted cash flow analysis to generate transfer rates that reflect a specific instrument's economic characteristics. You can determine FTP rated daily or intraday. You can calculate the NPV of all cash-flow-based transactions. NPV provides an additional, future-oriented view of the results so the profitability of new business – not just the current or historical profitability of the portfolio – becomes more transparent.

### Maximum Flexibility

SAP for Banking provides an integrated system of planning and controlling instruments for effective cost controlling. You can use all types of cost accounting – from the most common methodologies of actual, standard, and flexible planned cost accounting to the most up-to-date, activity-based costing methodologies.

With activity-based costing, you can allocate overhead costs to the underlying processes. This not only makes it easier for you to reach precise judgments about the income contribution of individual products and evaluate particular strategies for them, it also makes the business process itself – valued using cost aspects – more transparent.

### Complete Transparency

SAP for Banking paints a comprehensive, enterprise-wide picture of performance. You can choose between two methods of state-of-the-art reporting. Graphical, interactive drill down offers a broad range of possibilities for navigating through data and for exception reporting. Or you can use the SAP® Business Intelligence component of the SAP NetWeaver™ platform for a new dimension of profitability reporting in an online analytical processing (OLAP) system. With interactive drill-down reports, you can examine, allocate, and compare all profit and loss information, including calculation results from the single transaction up to any freely definable aggregation level. Examples of reporting levels include:

- Products
- Profit centers
- Customers

The results of every single transaction for each reporting period are collected, compressed, and output according to user-defined reporting structures. You can define whatever reporting period fits your needs, making it simple to generate monthly, quarterly, year-to-year, and year-to-date evaluations, as well as actual-versus-planned reports.

### More Than State-of-the-Art Technology

With its powerful architecture, SAP for Banking processes large quantities of data while maintaining a high level of performance. And you can use the SAP Enterprise Portal component of SAP NetWeaver to deliver the right information, applications, and services to users based on the roles they play within your bank. Typical banking roles include account manager, financial analyst, relationship manager, branch manager, line-of-business manager, asset/liability committee (ALCO) manager, and chief financial officer.

With SAP for Banking, you can exploit information to the fullest so you can make your banking strategy more customer focused, profit oriented, and adaptable to the intense dynamics of the global banking business. SAP has the proven business expertise to bring it to you in a truly comprehensive, integrated banking solution that gives you a better return on information.

### Business Benefits

SAP for Banking provides reliable, transparent, and well-structured information about your bank's profitability based on revenue and cost information. SAP's extendable and transparent data model enables faster processing required for management decision making. SAP for Banking delivers:

- Reliable and fast decision making based on profitability results
- Transparency due to multidimensional reporting analysis
- Consistent profitability results
- Flexibility based on an extendable, state-of-the-art data model
- Reduced costs

### For More Information

To learn more about how SAP for Banking can help you manage and control profits, visit our Web site at:

[www.sap.com/industries/banking/featuresfunctions/profitmanagement.aspx](http://www.sap.com/industries/banking/featuresfunctions/profitmanagement.aspx)